

City of Rockville Environment Commission
Sustainable Development and Energy Committee (SDEC)

Meeting Minutes
Tuesday August 31, 2010
Diamondback Terrapin Room, City Hall
7:00 pm

1. Welcome / Agenda Review/ Minutes Adoption

The meeting was called to order at approximately 7:05 p.m.

In attendance from the SDEC: Christine Davidson-McCord, Cindy Chang, Zhimei Luo, Lea and Joerg Rosenbohm, and staff liaison Erica Shingara.

2. Introduction of Guests

Introduction of members of the Rockville Chamber of Commerce: Andrea Jolly (Rockville CC), Daniel Outen (JBG Companies), Jonathan Gritz (Tower Oaks), and Greg Schindel (Glenmont Heating, Air Conditioning, and Refrigeration).

3. Green Building Tax Credits (SDEC and RCC joint discussion)

Members reviewed and discussed a draft “straw-man” tax credit proposal.

- The draft proposal was modeled after Montgomery County’s LEED for Existing (LEED-EB) tax credit program. The draft proposed 3 years of tax credits for buildings achieving official LEED-EB Silver (10%), Gold (25%), and Platinum (50%) certification from the Green Building Certification Institute. A potential annual cap of \$300,000 was suggested.
- Although the discussion at the last meeting focused on awarding tax credits for only Gold and Platinum certification, the Chamber indicated that it is much more challenging and costly for a building not located next to transit to achieve high levels of certification; therefore, providing a tax credit for Silver certification was also recommended.
- Discussed some of the unique aspects of the LEED-EB program:
 - The program is heavily weighted for energy and transportation credits. The cost to achieve Silver is much higher if the project is not located adjacent to the Metro.
 - The program favors owner-occupied office buildings. For multiple tenant buildings, it is challenging to obtain sustainable purchasing points because all tenants must practice and track green purchasing.
 - The program favors larger buildings because the fixed costs to achieve certification are higher per square foot for small offices. The Chamber could provide education on best practices to help smaller buildings.
 - Depending on the leasing structure, there may be a disconnect between the benefits realized by the owner and the leaseholder. An owner may pay for upgrades but may not realize the benefits in utility savings. However, a tax credit would provide a benefit to the building owner to make the investment in

upgrades. In other cases, a tax credit may not directly benefit the building tenants.

- Some LEED-EB points create jobs (e.g., energy and water conservation) while others only shift markets to greener practices (e.g., landscape management).
- Considerations for program criteria:
 - Could provide a tiered system to provide additional incentives for small buildings.
 - There was general support from the SDEC and the Chamber to identify priority credits/points that are required to be achieved but allow for flexibility (similar to the City's green building regulation). Priority credits could include energy, water, and/or stormwater management. For example, LEED-EB relies on an Energy Star score for buildings; the program could establish a minimum score for program eligibility. A refined credit list would need to be developed.
 - It was noted that keeping the program criteria simple might make adoption and implementation more feasible.
- Outstanding items and next steps:
 - What is the average size of a Rockville office? *Staff will research.*
 - If adopted, could this tax credit be used in addition to other local, county, and state credits? *Staff will research.*
 - What are the cost estimates/ranges for LEED-EB Silver, Gold, and Platinum? *The Chamber will research.*
 - What type of job growth and local investment could result from a tax credit program (e.g., \$1 tax credit yields \$X in economic output)? For example, over the past 14 years, the Maryland Heritage Structure Rehabilitation Tax Credit was estimated to provide more than \$8.50 in economic output for every \$1 invested by State government. *The Chamber and SDEC will research.*
 - Consultation with the City Manager, City Attorney and the Department of Finance on the draft proposal may be required.
 - When the proposal is further refined, the Chamber offered to present it to the Mayor and Council.

4. Residential Buildings

- Could the Chamber and SDEC also promote energy efficiency and green building in the residential sector?
- The City would need to research what is allowed by the State (e.g., tax credits, etc.). There are many existing Federal, State, County, and Pepco residential programs as well as proposed programs (Cash for Caulkers, PACE/HELP) that are not implemented yet. It may be best to leverage those programs and provide residents with education.
- The Chamber and SDEC could provide a free residential education workshop for homeowners to help promote energy efficiency, alternative energy, existing incentives and local businesses. Speakers from the Maryland Energy Administration, Pepco, Montgomery County, or other energy experts could be invited.

5. Update on Property Assessed Clean Energy (PACE) Programs

- PACE is an example of a potential new program that would help promote residential energy efficiency and renewable energy. Montgomery County is poised to launch one of Maryland's first PACE programs, the Home Energy Loan Program (HELP). HELP would

utilize funds from the Department of Energy to establish a revolving loan fund that provides residents of Montgomery County (including Rockville) up to \$25,000 to implement cost-effective energy improvements that are recommended by an energy audit. The homeowner must agree to repay the loan amount borrowed and any accrued interest through their Montgomery County property tax bill, amortized over 15 a year period. If the owner sells the home, the seller must disclose that the buyer must continue to repay the loan through the property tax bill.

- The Federal Housing Finance Agency (FHFA) recently issued a statement that has effectively frozen residential PACE programs across the country, including HELP. The FHFA affirms that a senior PACE lien is in violation of any Fannie Mae or Freddie Mac mortgage contract because it has “first lien” priority equivalent to property taxes. In the case of foreclosure, the FHFA asserts that this could leave the home lender unable to collect on the mortgage owed, since the energy retrofit loan would be legally required to be paid off first. Conversely, under Montgomery County’s HELP program, in the case of a default on the mortgage and property tax bill, the County would only require the delinquent payment(s) plus the customary penalties attached to a property tax default (20%).
- Rockville has the opportunity to join other governments and agencies from across the country in advocating for immediate congressional action to approve legislation allowing PACE to continue to serve as an innovative tool to help homeowners overcome the initial costs and barriers of energy retrofits. This would enable communities, like Montgomery County, to implement PACE programs and provide residents with important financial tools for overcoming the initial costs of energy retrofits.

6. Member News / Announcements / Upcoming Events

- None.

7. Wrap-up and Adjourn

The next SDEC meeting will be **Tuesday, September 28, 2010** at the Rockville City Hall. The Chamber is invited to attend to further discuss the green building tax credit proposal. The meeting was adjourned at approximately 8:30 pm.